1	2	3	4
			hardware for other activities—in progress. *Training in* progress.

Growth in IT Sector

4201. SHRI C. RAMACHANDRAIAH: Will the Minister of INFORMATION TECHNOLOGY be pleased to state :

(a) whether Information Technology sector has shown tremendous growth in quality and personnel during recent years;

(b) if so, the details thereof for the last five years, year-wise;

(c) whether India is presently ahead of China in Information Technology sector by 5 years and if so, basis of such assertions made by competent technocrats ;

(d) whether Indian Information Technology companies are also far ahead in quality software, inputs and training methodology in the world and that out of present 30, the best 27 companies are Indian;

(e) if so, the details thereof; and

(f) steps taken for further widening the scope and marketing in this sector?

THE MINISTER OF INFORMATION TECHNOLOGY (SHRI PRAMOD MAHAJAN) : (a) Yes, Sir.

(b) In terms of employment, the numbers for the IT software and services sector are as follows:

1996-97	160,000
1997-98	230,000
1998-99	280,000
1999-2000	340,000
2000-01	410,000

(c) As per National Association of Software and Services Company (NASSCOM) in 1999-2000 Chinese software exports were US $ 130 million as compared to India's $ 3,988 million.

(d) and (e) The Indian IT industry has not only grown in revenue terms, but also in terms of quality. In fact Quality has today become the hallmark of the Indian software industry. More than 200 companies have ISO 9000 certifications and out of the 50 companies in the world having SEI CMM Level 5, 27 are located in India.

(f) Steps taken by the Government to promote the IT industry are given in the Statement.

Statement

Incentives to IT Sector

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.

2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

3. Power of approvals of the designated officers of MIT for implementation of STP and EHTP Schemes have been further enhanced upto US $ 20 million.

4. Accelerated depreciation norms for computers and computer peripherals for electronic units under Export Oriented schemes (EOU/EPZ/STP/EHTP) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier. The depreciation on computers has been allowed @60%.

5. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP schemes and the software units under EOU/EPZ/STP schemes. Broadbanding is permitted in the DTA sales of Hardware units for items covered in the Letter of Permission.

6. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.

7. Value addition norms for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme.

8. In the Budget 2001-02, the peak rate of customs duty continues @35%. Customs duty surcharge @ 10% has been abolished on all imports, in general but Special Additional Duty (SAD) @ 4% continues on all imports, except specific exemptions. In the 2000-01 Budget, Customs duty on Computers and Peripherals had been reduced from 20% to 15% and continues to be same. The Customs duty on all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of color monitors also continues at 0%. In the 2001-02 Budget, Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) has been reduced from existing 20-25% to 15%. The concessional rate of customs duty for specified raw materials for the electronics industry continues.

9. In the Budget 2001-02, the Central Excise duty structure has been rationalised from multiple rates to single rate of 16% and single rate of Special Excise Duty (SED) @ 16%.

10. Information Technology Software is exempted from Customs and Excise Duty.

11. EOU/EPZ/STP/EHTP units are exempted from payment of Income Tax on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.

12. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data.

13. Benefit of Section 80 HHE is available to supporting software developers.

14. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.

15. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by

way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

16. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

17. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India.

18. Under policy on portfolio investment, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit has been raised from 40% to 49% in the Budget 2001-02.

19. Under the Employee Stock Option Scheme, income tax payable on income from GDRs purchased in foreign currency by a resident employee of IT software and service companies, shall be at a concessional rate of 10%.

20. Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.

21. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can now be reconverted into ADRs/GDRs, subject to sectoral caps.

22. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific Research Association for the purposes of scientific, social or statistical research has been provided.

23. Information Technology Act 2000 has been enacted. This act deals with Cyber Security, Cyber Crime and other information security related legal aspects. This will encourage expansion of e-commerce through internet.